

Message Text

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ACTION EB-11

INFO OCT-01 NEA-10 ISO-00 SP-03 AID-20 NSC-07 RSC-01

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FM AMEMBASSY KABUL

TO SECSTATE WASHDC 7717

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E.O. 11652: N/A

TAGS: EIND, EFIN

SUBJ: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: (A) STATE 86375; (B) STATE 53993; (C) KABUL A-20 DTD 3/29/73

1. EMBASSY SUBMITS HERewith REVISED INVESTMENT CLIMATE NARRATIVE
STATEMENT AS REQUESTED REF B, PARAS 3,4,6 AND 7:

QUOTE: AFGHANISTAN

SINCE SUBMISSION OF THE FOREIGN INVESTMENT CLIMATE STATEMENT FOR
FISCAL YEAR 1974 THERE HAVE BEEN SIGNIFICANT CHANGES IN THE POLITICAL
STRUCTURE OF THE COUNTRY WHICH MATERIALLY AFFECT POSSIBLE FOREIGN
INVESTMENT IN AFGHANISTAN. THESE CHANGES ARE OUTLINED IN THE
ECONOMIC TRENDS REPORT FOR AFGHANISTAN PUBLISHED BY THE U.S.
DEPARTMENT OF COMMERCE AS REPORT NUMBER ET 74-014. BRIEFLY
STATED, AS A RESULT OF A COUP D'ETAT ON JULY 17, 1973,
AFGHANISTAN BECAME A REPUBLIC AND THE MONARCHY WAS ABOLISHED.
PARLIAMENT WAS PROGROGUED INDEFINITELY, THE CONSTITUTION WAS
SUSPENDED AND AN EXAMINATION OF EXTANT LAWS, INCLUDING THE
BASIC LAW GOVERNING FOREIGN INVESTMENT, IS UNDERWAY BY THE NEW
REPUBLICAN GOVERNMENT.

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AS OF MAY, 1974. THE NEW REPUBLICAN GOVERNMENT HAS YET TO
ENUNCIATE ITS ECONOMIC PHILOSOPHY OR, MORE SPECIFICALLY, WHAT

ROLE WILL BE ALLOTTED TO PRIVATE FOREIGN INVESTMENT IN THE ECONOMIC DEVELOPMENT OF THE AFGHAN REPUBLIC. FOREMOST AMONG THESE ANTICIPATED STATEMENTS IS THE LONG-AWAITED REVISIONS TO THE 1967 FOREIGN AND DOMESTIC PRIVATE INVESTMENT LAW OF 1967. THIS LAW, CURRENTLY UNDER REVIEW, IS THE BASIC LAW GOVERNING PRIVATE FOREIGN INVESTMENT IN AFGHANISTAN AND ITS KEY PROVISIONS WERE SUMMARIZED IN THE FY 1974 FOREIGN INVESTMENT CLIMATE STATEMENT. ONE CHANCE WHICH IS EXPECTED IN THE INVESTMENT LAW IS A REQUIREMENT THAT ALL JOINT VENTURES WITH FOREIGN FIRMS OR INDIVIDUALS WILL REQUIRE A MAJORITY OWNERSHIP BY THE AFGHAN PARTNER OR INTEREST.

CURRENT ESTIMATED DIRECT U.S. PRIVATE INVESTMENT IN AFGHANISTAN IS THE SAME AS THAT REPORTED IN THE FY 1974 STATEMENT, I.E., A TOTAL OF DOLLARS 631,000 INVESTED BY THREE AMERICAN FIRMS (PAN AMERICAN, INDAMER AFGHAN INDUSTRIES AND THE FALCON OIL COMPANY OF NEW YORK) AS OF THE END OF CY 1971. NO OTHER NEW AMERICAN INVESTMENT HAS BEEN MADE IN AFGHANISTAN ALTHOUGH SEVERAL VENTURES ARE PENDING. ALL U.S. FIRMS CONTEMPLATING INVESTMENTS IN AFGHANISTAN ARE ENCOURAGED TO VISIT THE COUNTRY BEFORE EMBARKING ON ANY SUCH VENTURE. PERSONAL CONTACTS ARE THE SINE QUA NOW FOR DOING BUSINESS IN AFGHANISTAN. UNQUOTE.

2. OTHER INVESTMENT STATISTICS REQUESTED BY REFTEL B, PARA. 8 ARE NOT RPT NOT AVAILABLE. SUCH STATISTICS AS ARE AVAILABLE GENERALLY ARE NOT RPT NOT CONSIDERED RELIABLE.
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